



The Free Enterprise System



Chapter 5

Ch 5 Sec. 2 Business Opportunities



What You'll Learn . . .

- Classify types of business
- How to distinguish businesses from each other
- The concept of derived demand
- The basic functions of a business

What is business?

All of the activities involved in producing and marketing goods and services.



Types of Businesses

- **Size and Scope**

- **Large vs. Small** – size – small businesses have less than 100 employees, large more.
- **Domestic vs. Global** – domestic market is a single country, global is among nations.



Types of Businesses

- **Purpose**

- **Profit** (Microsoft, McDonald's) **vs.** **Nonprofit** (YMCA, Boys/Girls Clubs of America)
- **Public** (government services) **vs. Private**
Public organizations provide a non-profit service or are associated with the government.



Types of Businesses



- Industry and Markets
 - Industry consists of a group of establishments primarily engaged in producing or handling the same product or service
 - NAIC uses a six-digit coding system to classify all economic activity into 20 industry sectors.
 - Consumer, Industrial and Service Markets are interrelated because of the economic concept of derived demand.

Derived Demand



- Demand in the industrial market is based on, or derived from, the demand for consumer goods.
- Example: When consumers decide to buy more automobiles, dealers need more cars, so manufacturers will need an increased supply of auto components, such as tires, radios, batteries, and electronic parts.

The Functions of Business

- Regardless of the type of business, there are four main function involved in an organization's operation



The Functions of Business

- **Production** – the process of creating, growing, manufacturing, or improving goods and services.
 - Procurement – involves buying and reselling goods that have already been produced.



The Functions of Business

- **Marketing** – all activities from the time a product leaves the producer or manufacturer until it reaches the final consumer.



The Functions of Business

- **Management** – the process of achieving company goals by effective use of resources through planning, organizing, and controlling



The Functions of Business

- **Finance and Accounting**
 - Finance involves money management
 - Accounting keeps track of a company's financial situation

